

DRAFT MINUTES OF THE  
MEETING OF THE PENSION OVERSIGHT COMMISSION  
June 21, 2017

A meeting of the Pension Oversight Commission (POC) for the Howard County Retirement Plan and the Howard County Police and Fire Employees' Retirement Plan was held Wednesday, June 21, 2017 at 9:00 a.m. in the Kingsville room of the Ascend One Building at 8930 Stanford Blvd. Columbia, MD 21045. Members also participated via conference call. Present in person and on the phone for all or part of the meeting were the following voting members of the Commission:

Ken Barnes  
Peter Hong  
Todd Snyder  
Toshie Kabuto  
Mitchell Stringer

Also present for all or part of the meeting were Terry Reider and Scott Southern, from the department of human resources and Lewis Taylor from the County Solicitors Office. Mr. Snyder chaired the meeting and Mr. Southern served as secretary.

The meeting was called to order at 9:00 a.m. Mr. Snyder welcomed Mr. Taylor and asked that he introduce himself to the other commission members. Mr. Taylor explained that he was filling in for Cynthia Peltzman who was being assigned to be the legal advisor to the POC. Mr. Taylor went over the scope of the open meetings act as it pertained to the POC meetings. He explained that at least one member had to go through the training and be designated. He then described the process of going into a closed session to receive legal advice.

Mr. Snyder made a motion to go into closed session to receive legal advice on policy and procedures. Mr. Barnes seconded the motion and the commission members unanimously voted to close the meeting at 9:15 am. In the closed session the commission received advice on open meeting act compliance and the duties of the commission in relation to their annual report. The meeting was reopened at 9:42 am.

Terry Reider went over the proposed amendment to the Howard County Police and Fire Employees' Retirement Plan eliminating the remarriage clause for the surviving spouse of a participant who died in the line of duty. She advised that the county administration would like the commission to review the amendment and give an opinion.

The commission members felt the clause did not make sense and that if the state has removed that language from their plan they don't see why it should remain in Howard County's plan. The commission stated that they did not have an objection to the amendment and that Mr. Snyder would draft a letter to the county.

The discussion then turned to the annual report review. Mr. Snyder summarized the sections that each member worked on in producing the draft. The commission first discussed their opinion that the discount rate was too high. He referenced CalPERS and CalSTRS lowering their rates to 7%. They also discussed the expected return from the Summit Strategies report as being 6.6%. The commission agreed that they would need to reiterate their recommendation to lower the discount rate.

Mr. Snyder questioned if they should be looking at the basis for the assumptions the plans were using. Mr. Reider explained that the Actuary conducts an experience study every four years to set the assumptions that are used. Mr. Snyder questioned whether smoothing was a standard actuarial practice. He felt that by using the smooth value of assets that the county is just deferring losses. Ms. Kabuto stated that smoothing is standard practice and very appropriate because of the long term time frame of the investments in a pension plan.

Mr. Snyder questioned if the assumptions are reasonable and Ms. Kabuto stated that the assumptions seem reasonable. There was a discussion about what assumptions should be reviewed every year and what should be addressed every four years coinciding with the experience study.

The discussion moved on to the process that the investment consultant uses to select alternative investments. Ms. Kabuto would like to know procedures being taken by Summit to ensure due diligence is done for the investment selection. The commission discussed their recommendation that the county hire an investment professional to review the investments in the plan. Mr. Hong wanted to know the rationale of hiring a professional since the county does have the retirement plan committees monitoring and reviewing the investments. Mr. Snyder did not know the qualifications of the members of the committee to understand the investments. He questioned if any of the committee members had a securities license. Mr. Taylor reviewed the professionals that make up the retirement plan committee such as the chief administrative officer and the director of finance. Mr. Hong did not think it would be good if the county always had someone second guessing Summits work. He would prefer that a periodic review process be used to evaluate the consultant. It was pointed out that Summit Strategies is a fiduciary to the plan. Ms. Reider went over the subcommittee process utilized when selecting a new investment manager.

Mr. Snyder directed the discussion to the funded ratio of the plan. He wants to know when the plans will be fully funded. He feels that a plan should be laid out to become fully funded

in no more than 20 years. It was pointed out that Howard County's plans are very strong but it should be a long term goal to be fully funded.

Mr. Taylor stated that decision would be a county level decision and would anyone be able to politically accept that recommendation. Mr. Snyder asserted that they could continue to make the recommendations until changes are made.

The commission moved on to the topic of the type of information they should have access to review in the preparation of the annual report. Should they put in the report that they should have access to alternative investment material?

Mr. Taylor advised that they should first send a letter being very specific about the exact documents they are requesting.

Mr. Hong wanted also wanted to clarify with Mr. Snyder what documentation he is requesting to review. He does not feel that the POC should be reviewing offering documents on individual investments.

Mr. Snyder does feel that they should be reviewing this material to evaluate the risk of that particular investment. He feels that 25% of the portfolio is not transparent.

Ms. Kabuto stated that it seems on one has a clear view of their oversight function. The commission does not make the investment decisions. They should be evaluating the risk at the portfolio level and not the individual investment level. She feels their responsibility is to make sure that there is no fraud occurring and to review the assumption for the asset allocation.

They agreed that they would send a letter requesting to attend meetings where these types of investments were being discussed.

Having gone an hour over the allotted meeting time the members of the commission decided to cancel the meeting scheduled for June 22, 2016.

With no other issues to discuss, the meeting was adjourned at 11.24 a.m.

Respectfully Submitted,

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Scott Southern,  
Office of Human Resources